

# FISCAL NOTE

Bill #: HB 3

Title: Reduce Property Taxes by Increasing  
Direct State Aid to Schools

Primary

Sponsor: Robert Story

Status: As Introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
-------------------	------	-----------------------------	------

## Fiscal Summary

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<b>Expenditures:</b>			
General Fund	\$0	5,683,620	\$6,732,864
<b>Revenue:</b>			
General Fund	\$0	\$8,273,140)	(\$8,273,140)
<b>Net Impact on General Fund Balance:</b>	<b>\$0</b>	<b>(\$13,956,760)</b>	<b>(\$15,006,004)</b>

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
X		Significant Local Gov. Impact	X		Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. HB540 is not law.
2. Public School Average Number Belonging (ANB)

ANB	FY 2001	FY 2002	FY 2003
K-6	79,755	78,471	77,903
7-8	26,111	25,248	24,711
9-12	51,529	51,418	50,527
Total	157,395	155,137	153,141

3. In FY99, school districts received \$23.9 million from motor vehicle fees in the district general fund. For FY01, school district general funds will budget to receive 75% of their FY00 actual motor vehicle

(continued)

receipts. Growth in revenue between FY99 and FY00 is 6% and 5.1% in FY01. The FY02 budgeted amount is projected to be 85% of the FY 99 motor vehicle fee receipts.

4. Under present law, the direct state aid percentage for fiscal year 2001 and beyond is 41.8% of the basic and per-ANB entitlements. HB3 proposes to increase the direct state aid percentage to 44.7% for fiscal year 2002 and beyond.
5. The redistribution of motor vehicle revenue will reduce the amount of guaranteed tax base aid to counties for school retirement costs. This will result in a savings to the state general fund. No estimate for the amount of savings has been made, but it is expected to be less than \$0.2 million per year.
6. The proposed amendments to 15-10-420,MCA will have no impact on state general fund revenues or expenditures.
7. Under current law it is estimated that the state general fund will receive \$8.27 million in light vehicle allocations in FY02. The revenue for succeeding years will be the same as FY02 due to the required reduction in the light vehicle tax to maintain total revenues from light vehicles at FY01 levels. HB3 will divert this \$8.27 million from the state general fund for reallocation to local governments and the state special account for state assumption of welfare.
8. The following table displays the impact of HB3 on FY01 and the following years motor vehicle fee revenues.

<b>Estimated Impact of HB3 on SB260</b>			
Fiscal Year 2002 and Beyond			
<i>in millions</i>	Current Law FY02	HB3 FY02	Difference
State General Fund	\$ 8.27	\$ -	\$ (8.27)
University 6 mills	-	-	-
State Assumption	0.64	0.75	0.11
County Government	10.08	11.87	1.79
County Road Fund	1.19	1.43	0.24
Countywide Transportation	0.65	0.78	0.12
Countywide Retirement	4.15	4.89	0.74
Schools General Fund	17.95	21.10	3.15
Schools Non-General Fund	4.49	5.28	0.79
Miscellaneous Districts	1.75	2.06	0.31
Cities and Towns	6.76	7.77	1.01
District Court	6.21	6.21	(0.00)
<b>Total</b>	<b>62.14</b>	<b>62.14</b>	<b>(0.00)</b>

9. Current law requires that school district general fund revenues from light vehicles be made whole to FY99 levels. The FY99 level of revenues from light vehicles for school district general funds was \$21.46 million. Under current law, a supplement of \$3.50 million (\$21.46 million – \$18.00 million) would be necessary to bring school district general fund light vehicle revenue to FY99 levels. Under the HB4 \$0.35 million (\$21.46 million – \$21.10 million) would be necessary to bring school district general fund light vehicle revenue to FY99 levels. The proposal results in a reduction in the supplement of \$3.15 in FY02 and succeeding fiscal years through redistribution of motor vehicle revenue.
10. It is estimated that the revenue for the state special account for the assumption of welfare will increase \$110,543 in FY02 and succeeding fiscal years due to the proposal.
11. The following table summarizes all the effects on the state general fund of HB3 without passage of HB540.

<b>Estimated Impact of HB3 on State General Fund without HB540</b>				
	FY01	FY02	FY03	
Loss in motor vehicle fee revenue	\$ 0.00	\$ (8.27)	\$ (8.27)	
Elimination of SB 184 reimbursement to schools for Motor vehicles	\$ 0.00	\$ 3.50	\$ 3.50	
Reduced guaranteed tax base aid due to Motor Vehicle	\$ 0.00	\$ 1.19	\$ -	
Additional cost to increase direct state aid from 41.8% to 44.7%	\$ 0.00	\$ (10.37)	\$ (10.23)	
Total	\$ 0.00	\$ (13.96)	\$ (15.01)	

FISCAL IMPACT:

	<u>FY2001 Difference</u>	<u>FY2002 Difference</u>	<u>FY2003 Difference</u>
<u>Expenditures:</u>			
Local Assistance	\$0	\$5,683,620	\$6,732,864
<u>Funding:</u>			
General Fund (01)	\$0	\$5,683,620	\$6,732,864
<u>Revenues:</u>			
General Fund (01)	\$0	(\$8,273,140)	(\$8,273,140)
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>			
General Fund (01)	\$0	(\$13,956,760)	(\$15,006,004)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

Property taxes to support school district general fund budgets will be \$11.8 million less under HB3 than under present law in FY01. This is comprised of the increased budgeted motor vehicle revenue and the increase in direct state aid. The long-term reduction in local school taxes is anticipated to be \$10 million per year or the same as the long-term anticipated cost to the state general fund.

Revenues from light vehicles for all local governments (except school district general fund) will increase. The amount of increase for county governments (including countywide retirement and transportation) is estimated to be \$3.2 million in FY02 and each following fiscal year. The increase in revenue for cities/towns is estimated to be \$1.0 million in FY02 and each following fiscal year. Revenues for school districts non-general funds are estimated to be \$0.8 million in FY02 and each following fiscal year.

LONG-RANGE IMPACTS:

The state's obligation for support of K-12 public schools will be approximately \$10 million higher each year as a result of increasing the direct state aid share to 44.7%.

(continued)

TECHNICAL NOTES:

1. In HB 3, school districts are required to anticipate motor vehicle fee revenues in FY02, and FY03 at the FY99 level. Estimates prepared by the Department of Revenue indicate that schools may receive 98% of the FY99 amount. The bill, as introduced, requires schools to budget revenues at a level that exceeds the estimates of what schools may receive.
2. Sections 1 and 6 of the proposal imply that the increase in light vehicle revenue for local governments must be treated as a statutory reimbursement for purposes of calculating mill levies (15-10-420, MCA). However, since light vehicle revenues are considered property tax revenues, any increase in light vehicle revenues is inherently included in the calculation of the mill by being included in the "amount of property tax actually assessed in the governmental unit in the prior year" (section 1, 15-10-420).